

China aluminium exports remain surprisingly strong

Exports of Chinese aluminium surprised to the upside in May. However, prices in Asian trading failed to respond to those stronger numbers. Concerns remain about rising supply for the rest of the year while trade war tensions continue to cast a shadow over future demand



China Jiangsu metal processing plant workshop

7.6%

China exports of unwrought aluminium and semis

May

Better than expected

China unwrought aluminium and semis exports remained strong in May. The headline data, out on Monday, showed they grew by 7.6% from the previous month and 12.4% during the first five months of the year. The numbers came as a bit surprise to the market amid the ongoing trade war tensions. We saw three key reasons in play including the weaker yuan, VAT cuts and frontloading.

Prices during the Asian trading sessions shrugged off the stronger exports data. The focus for the markets remained on the resumption of operations of the Norsk Hydro's Alunorte alumina refinery in Brazil, the world's largest, and how quickly it can come back into full operation following a major accident last year. Meanwhile, alumina prices in the Chinese market stalled as the impact from the Red Mud Dam accident recedes.

There are now rising concerns over supply pressures in June and the current destocking may not continue. The current assessment is that total restarts and ramp-ups are likely to bring an additional 210kt primary productions in June. A general market expectation is that the destocking trend may reverse as we enter into Q3 as a result of rising supply, while demand is seen to enter into a weaker season. SMM data from 10 June showed that the drawdown in stocks in the China market (ShFE plus non-exchange stocks) was lower from last week. Despite all these headwinds, we don't think there's much more room for further price declines.